



## **SCORE column: Cash is king: Technology makes ruling the flow easier**

If the success or failure of a business could be attributed to one main factor, most accountants would argue that it all comes down to cash flow.

In SCORE mentoring sessions, existing businesses often struggle with the question, "My sales are good and it looks like I'm making a profit, but where's the cash?"

On the SCORE website [ebusinessnow.org](http://ebusinessnow.org), an entire section is devoted to helping business owners understand how cash flows in and out of a business.

It is a key component to being successful, and an area that has benefited from technology.

It is important to note that cash flow is not profit. Cash flow refers to the dollars going into and out of a business on a daily basis used to operate the business.

For example, in December a business might sell thousands of dollars in gift cards. With all of that cash, a business owner might feel incredibly successful. However, if that money is withdrawn from the business as profit, there will be a cash crisis when the gift cards are redeemed over the next several months.

It is normal for a company to need external sources of financing to make up a shortfall in working capital at certain times such as prior to the holidays when inventory levels might be increased.

However, an astute owner will strive to manage cash so that it is available when needed.

Viral marketing sites like Groupon and Living Social allow a business to create prepayment for products or services. The Green Bay Press-Gazette is launching a similar site locally, DealChicken.

Before using these sites, a business owner should consider the accounting implications and maintain a liability account for the amount of money represented by the undelivered product or service.

The amount booked as a liability will be the cost to provide the prepaid products or services that have been sold but remain undelivered.

At the end of the promotion, if there were services or products that weren't delivered, the remaining cash can be removed as a liability and shown as revenue.

An online ecommerce site is another good way to create additional cash flow.

If a business has a brick-and-mortar location, it should consider creating a website with ecommerce capabilities.

Advantages include using current personnel to maintain the website when they aren't waiting on customers, extending the market area to the entire world, turning inventory faster, selling gift cards online and turning idle merchandise into immediate cash.

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